ISMIE Mutual Company Defined Items.

1. Data in the exhibits requiring county is grouped by physician county (policy issuing county). This is consistent with how rates have always been calculated, as where a physician's practice is located is known when a policy is issued, but where any claim might be brought is not.
2. There have been no changes to payment or reserving practices.
3. Extended reporting endorsements are effective immediately upon the expiration of the last claims made policy.
4. A claim is closed when it has been assigned a closed date and is not currently reopened.
5. This is not applicable as the data does not include corporate claims.
6. ISMIE Mutual's base class is Class 5. (Up to 2006/07, this class was only Internal Medicine, No Surgery, No Major Risk Procedures. In 2006/07, Gynecology, No Surgery, No Major Risk Procedures was added.) The base territory is Territory 1. (Up to 2006/07 this included Cook, Madison, St. Clair, and Will counties. In 2006/07, Jackson County was added.)
7. The extended reporting exposures are counted as one exposure, adjusted for class and territory to a base class equivalent. They are not adjusted by tail factors. Each such exposure is included only in the year of issue, it is not included as an exposure in subsequent years.
8. The tail factors listed were different for each maturity, and are applied to the expiring claims made premium. Thus the factors take into account whatever maturity the policy was at, rather than being applied to the mature step premium.
9. The expenses included in the expense factor are those associated with policy issuance, underwriting, and other operating expenses of the company. Claim department expenses are included in the unallocated loss adjustment expense (ULAE) factor.
10. The other factors included in the report that ISMIE uses in the rate filing include a load for contingency and cost of reinsurance. The cost of reinsurance is not split out as it varies from year to year depending on the level of reinsurance purchased and the terms. The cost of reinsurance is considered to be equal to the present value of premiums expected to be ceded by ISMIE less the present value of losses expected to be ceded. There is a load to include commission, taxes, fees, and assessments. Investment income is included by assuming an interest rate, after investment expenses, that will be earned on new money. This rate is used to account for the time value of money, both as regards to the payment of premium to ISMIE and losses by ISMIE. Since various credits and debits (schedule, loss free, etc.) will be applied, the manual rate will not be equal to the needed collected rate. To account for this, an off balance factor is used to produce a manual rate that will result in the needed collected rate after the application of the credits and debits.